

MONTHLY REVENUE REPORT

February 2005

The revenue generated from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.01 billion in February, which was down 4.0% from the year-ago level. Sales and use taxes experienced strong increases in collections; however, these gains were more than offset by declines in income and single business tax collections. While the sales and use tax increases were stronger than expected and the income and single business tax collections were weaker than expected, overall tax collections in February were very close to the estimated level. So far in FY 2004-05, tax collections are up 7.9%. Some of this growth is due to the increases in the tobacco and casino taxes that went into effect during the last part of FY 2003-04. Adjusting for these tax increases, fiscal year-to-date tax collections are up 6.4%.

Net income tax collections (gross collections less refunds) totaled \$121.0 million in February, which was down 48.5% from last year's level. This decline was due to a drop in gross collections and an increase in the amount of refunds paid to taxpayers. Gross collections (withholding, quarterly, and annual payments) were down from last year's level due to an 8.7% drop in withholding payments, which reflects continued weakness in Michigan's labor market and the fact that the income tax rate is now down to 3.9% compared with the 4.0% rate that was in effect last year at this time. Income tax refunds were up significantly in February due to new processing procedures that are being implemented this year and an increase in the number of returns being filed electronically. On a fiscal year-to-date basis, net income tax collections are down 2.9%.

Sales tax collections totaled \$474.0 million in February, which was up 10.7% from last year. This was the second consecutive month that sales tax collections topped the year-ago level by more than 10.0%. The increase in February occurred despite the fact that sales tax collections from motor vehicle transactions dropped 10.1% from last year's level. This marked the 18th time in the past 20 months that sales tax collections from motor vehicle transactions have fallen below the year-ago level. Sales tax collections from all other taxable retail sales were up 14.0% in February. So far in FY 2004-05, sales tax collections are up 8.6%.

Single business tax collections totaled \$123.0 million in February, which was down 18.7% from last year's collection level. This overstates the weakness in single business tax receipts because February collections represent only a portion of the quarterly payment that was due at the end of January and the breakdown of this quarterly payment between January and February was much different than it was last year. Single business tax collections in January and February totaled \$332.0 million, which was down 2.8% from the comparable year-ago level. Despite this decrease, single business tax collections are still up 6.6% on a fiscal year-to-date basis.

Among the other major taxes, collections in February topped last year's level for the use tax, by 10.7%; insurance tax, by 18.8%; State education property tax, by 46.3%; real estate transfer tax, by 43.8%; and oil and gas severance tax, by 21.1%. Tobacco and casino tax receipts were up 27.9% and 60.5%, respectively, due to the tax increases that were enacted near the end of FY 2003-04. Estate tax collections declined 31.1% in February, reflecting the ongoing phased elimination of this tax.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for February 2005, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2004-05, which were adopted at the January 2005 Consensus Revenue Estimating Conference.



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MICHIGAN REVENUE UPDATE
FEBRUARY 2005
(dollars in millions)

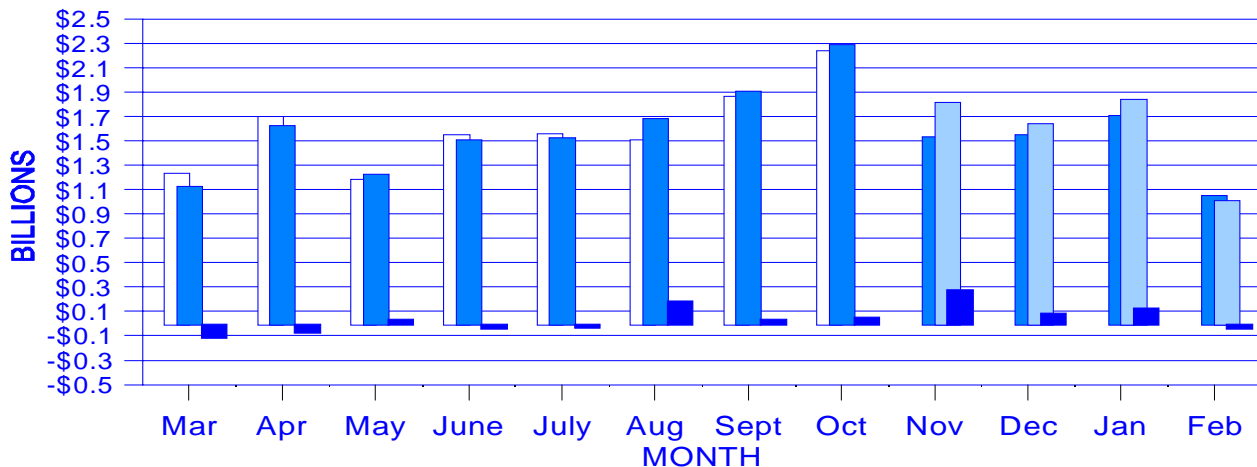
Type of Revenue	February Collections		FY 2004-05 to Date ²⁾		FY 2004-05 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2003-04
Gross Income Tax	\$ 501.8	(7.6)%	\$2,510.1	1.4%	\$7,538.1	1.0%
Refunds	(381.2)	23.4	(483.5)	24.7	(1,660.7)	4.2
Net Income Tax	\$ 120.6	(48.5)%	\$2,026.6	(2.9)%	\$5,877.4	0.1%
Sales Tax	474.3	10.7	2,196.9	8.6	6,707.8	3.6
Motor Vehicles	52.5	(10.1)	224.9	(13.0)	---	---
All Other Sales Tax	421.8	14.0	1,972.0	11.8	---	---
Use Tax	103.6	10.7	455.9	14.3	1,369.3	4.0
Tobacco Taxes	87.0	27.9	377.0	32.2	1,189.2	19.8
Single Business Tax	123.0	(18.7)	609.6	6.6	1,855.7	1.5
Insurance Tax	34.8	18.8	87.3	1.6	239.3	3.9
State Education Property Tax	23.4	46.3	382.0	60.0	1,846.0	1.2
Real Estate Transfer Tax	25.3	43.8	102.1	2.4	310.0	(2.4)
Estate/Inheritance Tax	3.1	(31.1)	11.6	(54.9)	39.0	(48.3)
Casino Wagering Tax	12.2	60.5	46.7	53.6	147.0	47.7
Oil & Gas Severance Tax	4.6	21.1	21.1	160.5	55.0	(3.7)
Total	\$1,011.9	(4.0)%	\$6,316.8	7.9%	\$19,635.7	2.9%
Addendum:						
Gross Lottery Sales ⁴⁾	\$166.2	(3.8)%	\$ 853.2	5.8%	\$2,050.2	3.9%
Net to School Aid Fund ⁴⁾	\$ 57.1	(6.1)%	\$ 266.5	(3.6)%	\$ 649.9	0.8%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2004-05 year-to-date collections begin with November 2004 collections to reflect accrual accounting.
3) Consensus revenue estimates adopted at the January 13, 2005, Consensus Revenue Estimating Conference.
4) Lottery revenue is not accrued, so FY 2004-05 lottery revenue will include October 2004 to September 2005.

Actual Revenue Collections for Major State Taxes*
March 2003 to February 2005

CASH COLLECTIONS (Billions of Dollars)

FY 2002-03
 FY 2003-04
 FY 2004-05
 Difference



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.